

ORIGINAL

NEW APPLICATION



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AZ CORP COMMISSION
DOCKET CONTROL

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, CHAIRMAN
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP
BRENDA BURNS

Arizona Corporation Commission
DOCKETED

JUN 28 2011

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IN THE MATTER OF THE APPLICATION OF
LIVCO WATER COMPANY FOR
AUTHORITY TO INCUR LONG-TERM
DEBT.

DOCKET NO. W-02121A-11-0257
FINANCE APPLICATION

Pursuant to A.R.S. § 40-301 *et seq.* and A.A.C. R14-3-106(F) Livco Water
Company ("Company" or "Applicant"), hereby amends its application for authority to
incur debt to finance water system improvements.

PRELIMINARY STATEMENT

The Company is a public service corporation subject to regulation by the Arizona
Corporation Commission ("Commission") as a water utility. The Company holds a
Certificate of Convenience and Necessity ("CC&N") in the area of Concho, Arizona.

The Company has applied to the Water Infrastructure Finance Authority
("WIFA") for a loan to renovate a water storage tank. WIFA placed the Company on its

2012 Drinking Water Revolving Fund Priority List for a loan in the amount of \$30,000.
See Exhibit 1. Accordingly, the Company is seeking authority from the Commission to finance an amount up to \$30,000 for the tank renovation described in Exhibit 2.

INFORMATION REQUESTED ON APPLICATION FORM

1. Applicant's Name and Address.

Livco Water Company
Jenni Wicks
P.O. Box 659
Concho, Arizona 85294
Telephone: (928) 337-2266
Facsimile: (928) 337-3578

2. Person Authorized to Receive Communications.

Steve Wene
Moyes Sellers Ltd.
1850 North Central Ave., Suite 1100
Phoenix, Arizona 85004
Telephone: (602) 604-2189
Facsimile: (602) 274-9135

3. Financing Description.

If the Commission authorizes the proposed debt, the Company will request that WIFA lend the Company \$30,000. Although the Company is on the loan priority list, WIFA does not offer finance terms until the Commission authorizes water providers like the Company to incur debt. The Company understands that the Commission and WIFA have a standard working arrangement to accommodate WIFA's loan practices. The Commission staff may want to contact the following WIFA staff person:

Angie Valenzuela
Senior Loan Officer
Water Infrastructure Finance Authority
1110 W. Washington Street, Suite 290
Phoenix, Arizona 85007

1 **4. Proceeds Statement.**

2 Gross proceeds will be \$30,000. WIFA has a combined interest and fee rate
3 structure, so there are no issuance expenses. This means that the Company will net
4 \$30,000 from the proposed loan.

5 **5. Plant to be Acquired Using Net Proceeds.**

6 The proceeds will be used to paint Company storage tank number 1.

7 **6. Consistency with A.R.S. § 40-301 et seq.**

8 The proposed financing is: (a) within the Company's corporate powers, (b)
9 compatible with the public interest; (c) compatible with sound financial practices; and
10 (d) compatible with the proper performance by the applicant of service as a public service
11 corporation and will not impair the Company's ability to perform that service.

12 **7. Service Fees.**

13 Under WIFA's combined interest and fee rate structure, the Company anticipates
14 paying a fixed interest rate of prime plus 2% multiplied by a subsidy rate index set by
15 WIFA. WIFA may offer the Company an 85% subsidy rate, so the effective interest rate
16 could be Prime + 2% x 85%. This below-market rate loan is reasonable for the
17 Commission to approve.

18 **8. Documents to be Executed in this Matter.**

19 There are no documents to be executed in the matter at this time.

20 **9. Pro Forma Balance Sheet and Income Statement.**

21 A Company pro forma balance sheet is attached as Exhibit 3. A Company pro
22 forma income statement is attached as Exhibit 4.

23 **10. Customer Notice.**

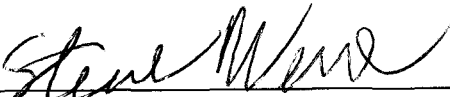
24 The Commission's required notice will be timely published in a newspaper of
25 general circulation in the Concho area. The Company will file with the Commission a
26 copy of the actual notice published and an affidavit stating when it was published.
27
28

1 **REQUEST FOR APPROVAL**

2 As set forth in this Application, the Company requests that the Commission
3
4 authorize the financing described herein.

5 DATED this 28th day of June, 2011.

6 **MOYES SELLERS LTD.**

7
8 
9 Steve Wene

10
11 **Original and 13 copies filed this**
12 **28th day of June, 2011, with:**

13 Docket Control
14 Arizona Corporation Commission
15 1200 West Washington
16 Phoenix, Arizona 85007

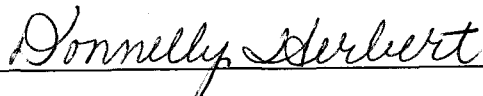
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EXHIBIT 1

Water Infrastructure Finance Authority

SFY 2012 Drinking Water Intended Use Plan



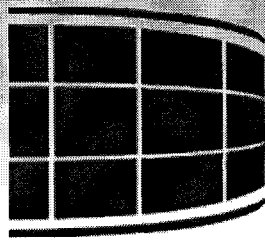
Arizona Drinking Water State Revolving Fund

Attachment C
Arizona's Drinking Water Revolving Fund
SFY 2012 Funding Cycle – Green Project Reserve

PPL Rank	Applicant	Population	Project Title	Project Number	Amount Requested	Subsidy Rate	Probable Green Amount
1	Cienega Water Company	140	Fluoride Treatment and System Upgrades	004 2012	\$50,000	75%	
2	Verde Lee Water Company, Inc.	500	Titanium Arsenic Removal System	005 2012	\$165,000	75%	
3	Gila Bend, Town of	1,980	Solar and R/O Facility Improvements	006 2012	\$2,572,008	80%	\$25,000
4	Lake Verde Water Co	204	Arsenic Mitigation	007 2012	\$450,000	80%	
5	Nogales, City of	21,830	Automated Meter System Improvements	008 2012	\$2,500,000	70%	\$2,500,000
6	Sulger Water Company #2	50	Well, Tank and Disinfection System Improvements	001 2012	\$120,000	80%	
7	Orange Grove Water Co.	1,200	Orange Grove Water Storage and Facility Upgrade	015 2012	\$200,000	75%	
8	Pinetop Water Community Facilities District	3,000	Meters and Well Automation	030 2012	\$100,000	80%	\$100,000
9	Little Park Water Company	125	Motor Efficiency Program, SCADA Implementation	010 2012	\$25,000	80%	\$25,000
10	Eloy, City of	9,600	Houser/Toltec Waterline Improvements	031 2012	\$1,865,000	75%	
11	Indiada Water Company	150	Water Line Replacement and System Interconnection	012 2012	\$327,379	85%	
12	Cerbat Water Company	2,136	Well Purchase, Repairs to Well Pump, Backup Well	028 2012	\$534,710	80%	\$110,000
13	Clear Springs Utility Company	1,180	Clear Springs Utility Consolidation & Upgrades	011 2012	\$511,000	80%	
14	East Slope Water Co.	2,877	System Improvements (Storage, Booster Pumps, Well Improvements, Main Replacement)	014 2012	\$2,059,733	80%	
15	Antelope Run Water Company	585	Storage, Looping and Water Line Replacement	003 2012	\$612,887	80%	
16	Litchfield Park Service Company	39,000	Airline Reservoir Solar Project / LPSC	018 2012	\$1,170,000	80%	\$1,170,000
17	Clarkdale, Town of	4,026	Twin 5s Water Main Replacement	013 2012	\$3,487,582	80%	
18	Granite Mountain Water Company	225	Well #5 Replacement & Tank #3 Addition	017 2012	\$181,320	80%	
19	Marana, Town of	12,000	Purchase of Tucson Water within Town of Marana	016 2012	\$40,000,000	85%	

20	Sabrosa Water Company	100	Arsenic Treatment	019 2012	\$30,000	85%	
21	Sandario Water Company	1,000	Capital Improvements (Storage, Pipe Replacement)	020 2012	\$780,000	80%	
22	Sonoita Valley Water Company	327	System Consolidation	021 2012	\$547,000	85%	
23	Payson Water Company, Inc	1,148	Mesa del Caballo Supplemental Water Supply Project	022 2012	\$1,000,000	80%	
24	Truxton Canyon Water Company	2,136	Truxton Canyon Water Transmission Replacement	002 2012	\$46,350	85%	
25	Litchfield Park Service Company	39,000	LPSCO Recharge Wells	029 2012	\$1,755,000	85%	
26	Parker Springs Water Company	126	Replacement Well, Storage and Water Line Renovation	027 2012	\$271,000	85%	
27	Clarkdale, Town of	4,026	Broadway Water Main Installation- Phase 2	023 2012	\$320,500	80%	
28	Clarkdale, Town of	4,026	Water System Security Improvements	024 2012	\$68,000	80%	
29	Arizona American Water Company	43,463	Sun City Well 8.3 Replacement	025 2012	\$2,000,000	85%	
30	Livco Water Company	1,100	Tank #1 Exterior Painting	032 2012	\$30,000	85%	
31	Southland Water Company	1,958	Well Improvements and Meters	026 2012	\$1,728,342	85%	
Total:					\$65,507,811		\$3,930,000

EXHIBIT 2



SUPERIOR TANK SOLUTIONS

PROPOSAL

STS-50159-MT

Matthew E. Tasch
8830 E Carol Way, Scottsdale, AZ 85260
Phone 480.390.0487 • Fax 480.664.2718
MTasch@SuperiorTankSolutions.com

Authorized
Signature:

Date:

CUSTOMER INFORMATION		TANK INFORMATION	
Customer Name	Livco Water & Sewer Co.	Tank Name	Concho Valley Tank
Contact Name	Jenni Wicks	Size and Style	250,000 GST
Billing Address	PO Box 659 - #1 C.R. 5100	Site Address	
City, State, Zip	Concho, AZ 85924	City State, Zip	Concho, AZ 85924

SCOPE OF WORK

250,000 Gallon Tank Renovation

Overview:

The following work scope addresses methods and procedures for the repairing and coating all surfaces of the carbon steel potable water storage tank. These operations are designed to comply with AWWA D. 100-05 and AWWA D.102-06 and are predicated on tank construction compliance with AWWA D.100 recommendations for welded steel tanks. Contractor qualification criteria and insurances will be provided upon request.

PRIMARY SCOPE

Exterior Renovation:

- Perform high-pressure water wash on all existing exterior surfaces of the vessel and existing associated appurtenances to remove loose debris and deleterious material.
- Trap and contain all run-off water.
- Manifest and properly dispose of all lead contaminated waste.
- Perform spot surface preparation in accordance with SSPC SP-2 Hand Tool Cleaning and SSPC SP-3 Power Tool Cleaning on all existing bare steel areas that have been previously properly pressure washed.
- Apply epoxy spot primer to all previously properly prepared bare steel areas in accordance with the coating manufacturer's recommendations.
- Apply one full prime coat of water based surface tolerant epoxy to all exterior surfaces and appurtenances in accordance with the coating manufacturer's instructions.
- Apply one full finish coat of high solids urethane to all exterior surfaces and appurtenances in accordance with the coating manufacturer's instructions.
- The finish coat will be of a color of the Water Company's choosing.
- Apply one logo of the Water Company's choose to approximately one side of the tank with limited detail and color.
- Repaint the gauge board with accurate numerical indicators.

TOTAL SELLING PRICE (excluding taxes): \$ 30,000.00

CONTINUED ON PAGE 2

SECONDARY SCOPE**Interior Renovation and Regulatory Repairs:**

- Perform all proper and necessary confined space procedures per OSHA requirements.
- Remove all sludge and debris by means of existing outlet piping and manways.
- Perform ultra sound analysis of floor prior to sand blasting.
- Perform surface preparation on the entire interior of the existing vessel in accordance with SSPC Sp-10 Near White Metal utilizing copper slag and dry abrasive blasting methods.
- Apply two (2) coats of NSF approved epoxy to all interior areas in accordance with AWWA D. 102-06 on all previously properly prepared surfaces. All welds/irregular surfaces shall be stripe coated prior to final coat application.
- Caulk the roof and side shell juncture.
- Provide inspection at all critical points of blasting and coating activities.
- Perform Holiday Detection on all surfaces in accordance with NACE RPO 188. All identified holiday surfaces shall be properly prepared and patched in accordance with the paint manufacturer's recommendations.
- Properly disinfect the vessel interior in accordance with AWWA C.652 "Spray Method #2".
- Replace manway gaskets as necessary and make tank ready for service.
- Remove existing exterior ladder.
- Provide and Install a new complaint exterior ladder with safety cage, ladder gate, OSHA roof railing, and self closing gate.
- Provide and Install an air gap in the overflow pipe above grade with a safety valve.
- Provide and Install new gaskets on the roof hatch and manway.
- Provide and Install a new complaint screen on the roof vent.

TOTAL SELLING PRICE (excluding taxes): \$ 70,000.00

CONDITIONS: Superior Tank assumes site is compacted, level and fully accessible for the delivery of materials. Work will be performed in a continuous manner without interruption. **Prevailing wages are included.** The above erection costs do not take into consideration any restrictive work hour rules, union labor or any special provisions such as safety schooling, safety clothing or hazardous training seminars that may be required. As specified by the American Water Works Association, D.102 Standard, the Superior Tank Company Inc. will provide a one (1) year warranty on work performed. At the 11-month warranty inspection Superior Tank Company Inc. will provide representation to inspect the work performed. Deficiencies identified will be repaired by Superior Tank Company Inc. at no additional charge.

EXCLUSIONS: Taxes, Permits, Fees, Insulation, Concrete or Gravel Foundation, Grade Band, Transducers, Special Inspections, Anchor Bolt Assemblies, Fiber Expansion Board, Level Switch, Process Piping, Over-Excavation or Recompaction of Existing Soils, Probes, Internal Vortex Breakers, Transmitters, Subgrade, Alarms, Blinds, Flex Coupling, Heat Tape, Instrumentation, Downcomers or Supports thereof (Except Where Specified Above), Flex Tends, Valves, Meters, Grading, Gauges, Flap Gates, Water to Hydro-Test or Vacuum Test or Disposal thereof, Bact-T or V.O.C. Tests, Electrical Wiring or Controls thereof, Conduits, Surveying, External or Internal or Below Grade Piping, Fittings, Bonding or Internals or items not specifically mentioned above.

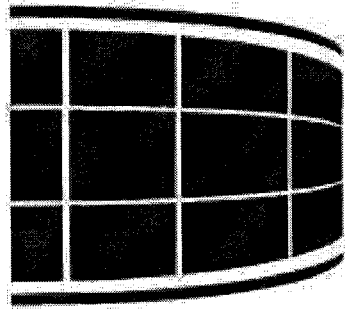
QUOTE VALIDITY: 30 DAYS

DELIVERY TIME: 3-5 Weeks

TERMS: Progress payment schedule will be established before proposal acceptance.

	TOTAL
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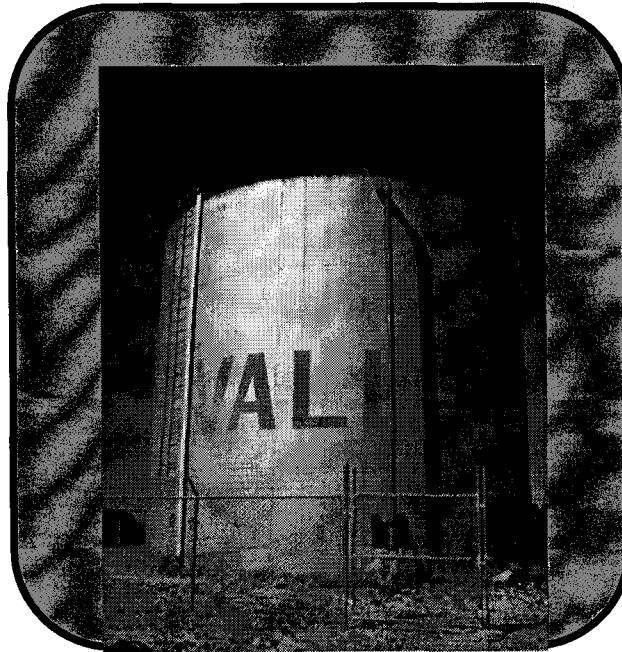
Customer Signature:		Date:	
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**SUPERIOR TANK
SOLUTIONS**

Summary Assessment Report

Livco Water & Sewer Co., AZ



CONCHO VALLEY TANK - 250,000 GALLONS

Date: April 26, 2011

Matt Tasch
(480) 390-0487

MTasch@superiortanksolutions.com

SUMMARY ASSESSMENT REPORT

LIVCO WATER & SEWER CO., AZ

ASSESSMENT INTRODUCTION

On April 21, 2011 Superior Tank Solutions, Inc. conducted a visual assessment on the 250,000 gallon ground storage tank. The purpose of the assessment was to determine the condition of the *interior and exterior coating systems* along with the extent of corrosion and the severity of degradation. The tank *structure* was evaluated in reference to the original "as built" design criteria and the applicable AWWA D.100 construction standard. Regulatory compliancy assessments were conducted in accordance with *sanitary* (Arizona Department of Environmental Quality), *safety* requirements (Federal OSHA 29 CFR 1910 & 1926 and ADOSH) and *security* guidelines (US Dept of Homeland Security & AWWA Security Recommendations).

TANK INFORMATION	
Inspection Date	April 21, 2011
Tank Location	Concho, AZ
Year Built	1971
Tank Size (gallons)	250,000
Dimensions (feet)	17'D x 32'H
Design Standard	AWWA D 100 and D 102
Tank Style	Ground Storage Tank

COATINGS AND DEFICIENCIES

EXTERIOR COATINGS

The exterior coating is in poor condition. The aged metallic coating has failed and deteriorated in approximately 40% of all exterior areas resulting in exposure of the lead based primer. Lead primers are not intended for exposure to the elements which causes accelerated failure. Additionally there are numerous areas on the sidewalls and roof where mechanical damage has occurred; these areas are rusting.

INTERIOR COATINGS

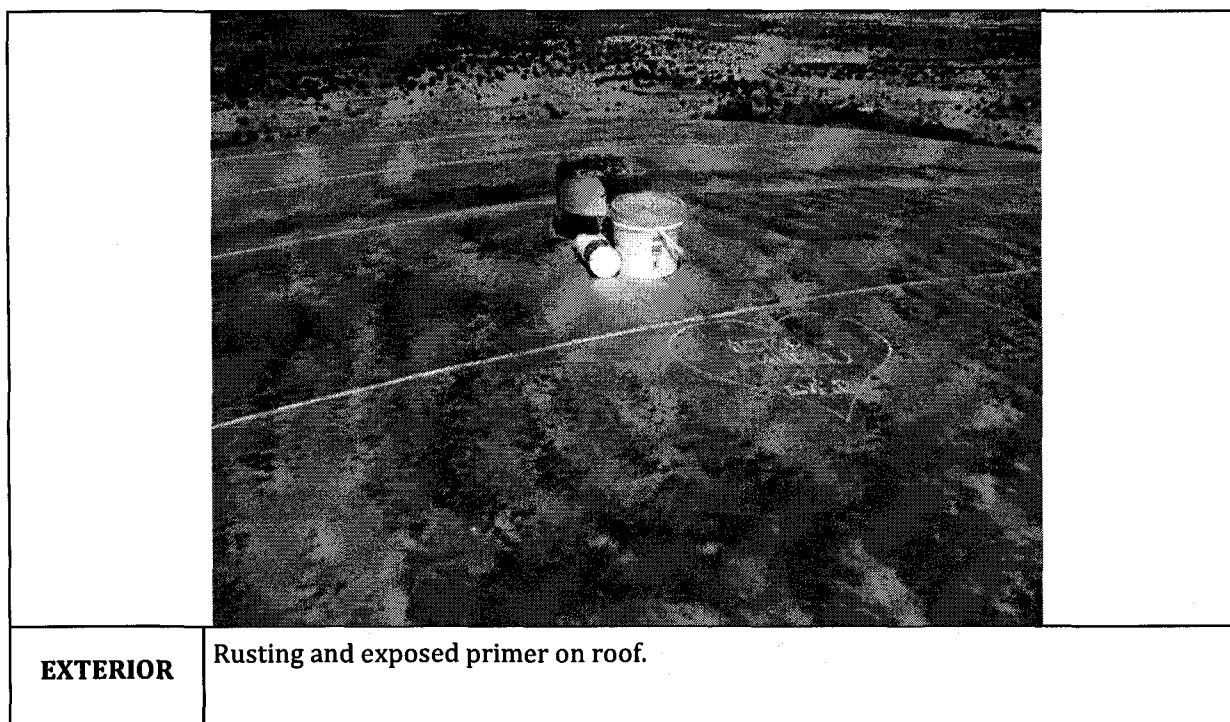
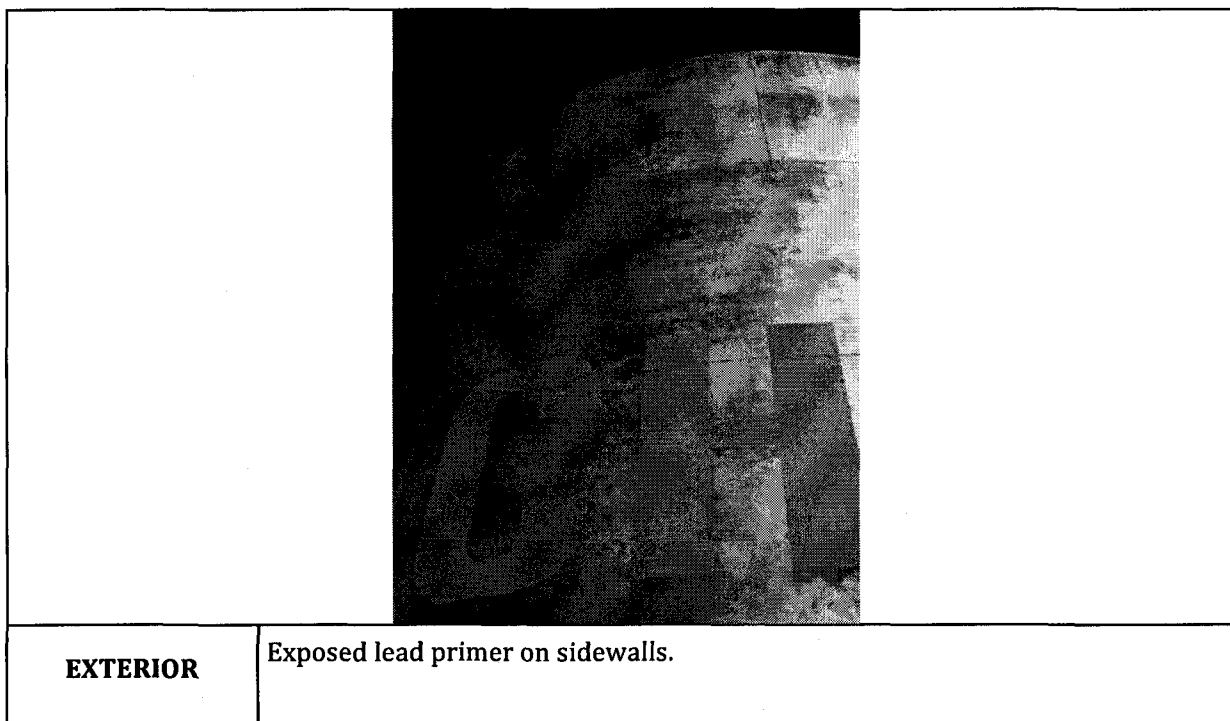
The interior coatings are in poor condition. The coatings have failed on the roof and rafters resulting in widespread rusting and moderate corrosion. The coatings on the sidewalls are checking and cracking, isolated areas have completely failed.

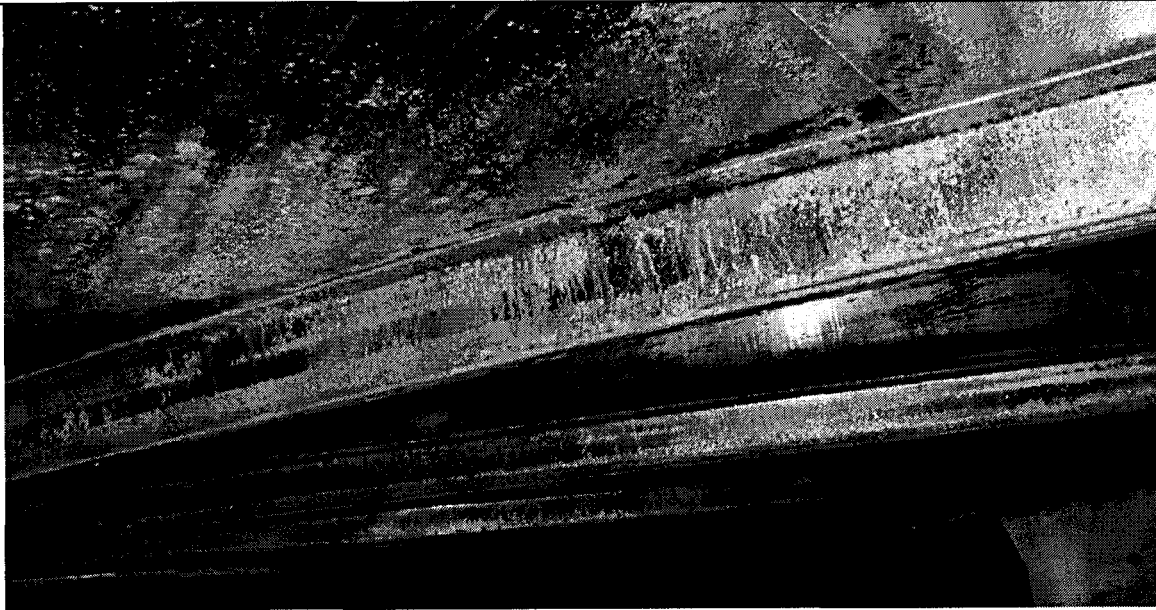
SAFETY, SECURITY, AND STRUCTURAL DEFICIENCIES

- The access ladder does not meet current OSHA or security regulations. The existing ladder should be removed and replaced with a new compliant ladder. The new ladder should be moved over from the roof hatch, have a ladder gate, safety mechanism, OSHA roof railing, and a self closing gate.
- The roof vent needs a proper screen installed to prevent unauthorized access.
- Repaint the gauge board with numerical indicators.
- The overflow requires an air gap before going below grade.
- The roof hatch needs a proper gasket to ensure a safe and secure seal.
- The roof hatches need to be locked for security purposes.

RECOMMENDATIONS - COATINGS

- The exterior should be washed and a primer of containment followed by the application of 2 coats of an approved compliant coatings system.
- It is recommended to renovate the interior by means of an SSPC SP-10 blast and 2 coat NSF epoxy coating system.
- Install a new ladder to the side of the existing ladder with a safety device, ladder gate, OSHA roof railing, and self-closing gate.
- Install an air gap in the overflow to meet sanitary compliance.
- Install a new screen on the vent and gasket on the roof hatch.
- Repaint the gauge board to include numerical indicators.





INTERIOR

Rusting and corrosion on the roof and rafters.



INTERIOR

Rusting on the sidewalls resulting from checking and cracking.

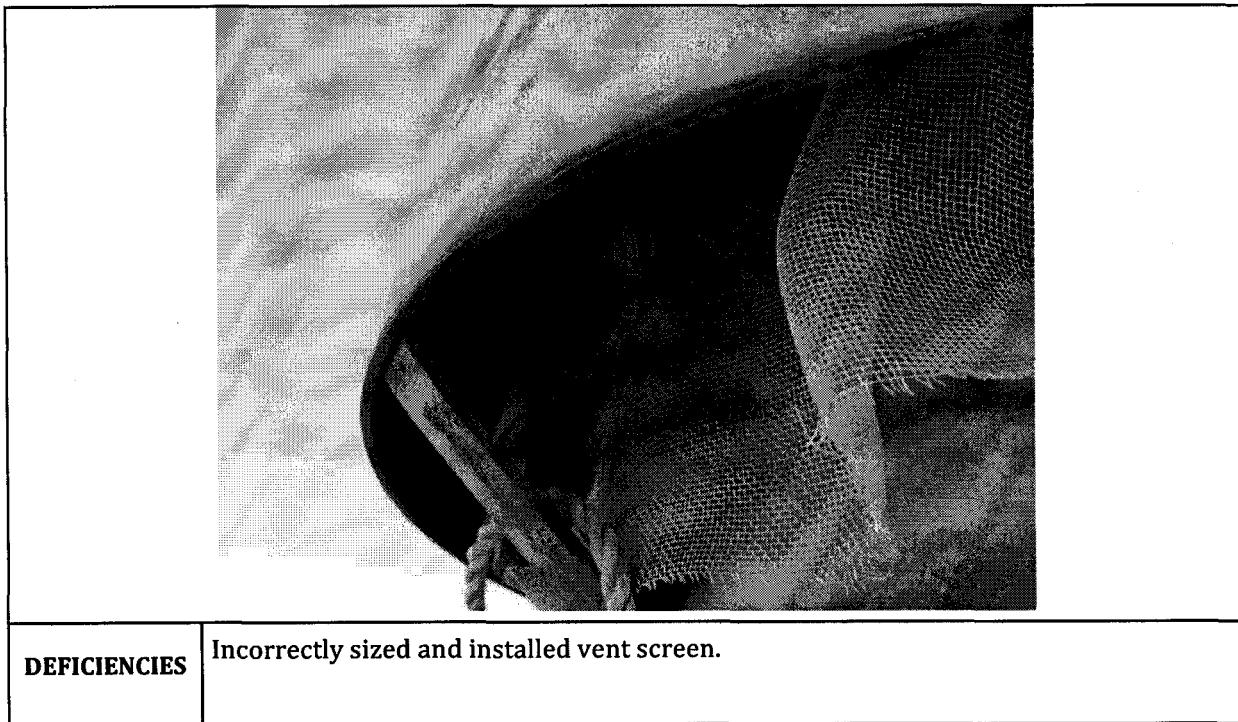
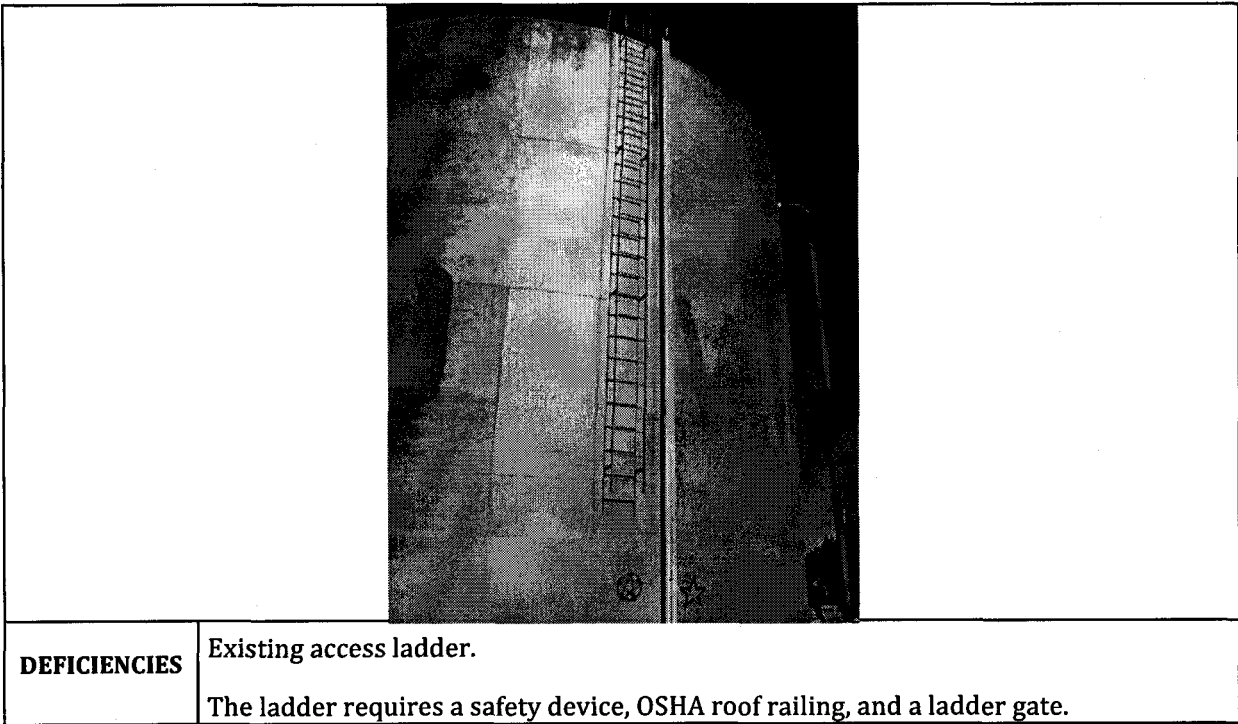


EXHIBIT 3

LIVCO WATER COMPANY
PROFORMA BALANCE SHEET
As of 12/31/2010

ASSETS		Actual			
		<u>Unadjusted</u>	<u>Label</u>	<u>Amount</u>	<u>Proforma</u>
CURRENT AND ACCRUED ASSETS					
131	Cash	\$ 476			\$ 476
134	Working Funds				-
135	Temporary Cash Investments				-
141	Customer Accounts Receivable	11,038			11,038
146	Notes/Receivables from Associated Companies				-
151	Plant Materials and Supplies	-			-
162	Prepayments	684			684
174	Miscellaneous Current and Accrued Assets				-
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 12,198			\$ 12,198
FIXED ASSETS					
101	Utility Plant In Service	\$ 651,617	A	\$ 30,000	\$ 681,617
103	Property Held for Future Use				-
105	Construction Work in Progress	86,122			86,122
108	Accumulated Depreciation - Utility Plant	(438,825)			(438,825)
121	Non-Utility Property				-
122	Accumulated Depreciation - Non Utility				-
	TOTAL FIXED ASSETS	\$ 298,914			\$ 328,914
	TOTAL ASSETS	\$ 311,112			\$ 341,112
LIABILITIES					
CURRENT LIABILITIES					
231	Accounts Payable	\$ 14,237			\$ 14,237
232	Notes Payable (Current Portion)				-
234	Notes/Accounts Payable to Associated Companies				-
235	Customer Deposits	8,349			8,349
236	Accrued taxes	1,408			1,408
237	Accrued Interest				-
241	Miscellaneous Current and Accrued Liabilities				-
	TOTAL CURRENT LIABILITIES	\$ 23,994			\$ 23,994
LONG-TERM DEBT (Over 12 Months)					
224	Long-Term Notes and Bonds ¹	\$ 78,932	A	\$ 30,000	\$ 108,932
DEFERRED CREDITS					
251	Unamortized Premium on Debt	\$ -			\$ -
252	Advances in Aid of Construction	24,857			24,857
255	Accumulated Deferred Investment Tax Credits				-
271	Contributions in Aid of Construction	143,253			143,253
272	less: Amortization of Contributions	(131,643)			(131,643)
281	Accumulated Deferred Income Tax				-
	TOTAL DEFERRED CREDITS	\$ 36,467			\$ 36,467
	TOTAL LIABILITIES	\$ 139,393			\$ 169,393
CAPITAL ACCOUNTS					
201	Common Stock Issued	\$ 82,000			\$ 82,000
211	Paid in Capital in Excess of Par Value	303,540			303,540
215	Retained Earnings ¹	(213,821)			(213,821)
218	Proprietary Capital (Sole Props and Partnerships)				-
	TOTAL CAPITAL	\$ 171,719			\$ 171,719
	TOTAL LIABILITIES AND CAPITAL	\$ 311,112			\$ 341,112

¹ Includes WIFA debt reserve of \$3,954.24 as offset to existing WIFA loan balance of \$82,886. 58.

Adjustment A - Proposed cost of tank rehabilitation and related WIFA financing for Financing Application.

EXHIBIT 4

LIVCO WATER COMPANY
PROFORMA STATEMENT OF INCOME AND EXPENSES
12 Months Ended 12/31/2010

		Actual			
		Unadjusted	Label	Amount	Proforma
OPERATING REVENUES					
461	Metered Water Revenue	\$ 143,405			\$ 143,405
460	Unmetered Water Revenue	-			-
474	Other Water Revenues	2,689			2,689
	TOTAL REVENUES	\$ 146,094			\$ 146,094
OPERATING EXPENSES					
601	Salaries and Wages	\$ 60,203			\$ 60,203
610	Purchased Water	-			-
615	Purchased Power	15,571			15,571
618	Chemicals	-			-
619	Water Treatment	-			-
620	Repairs and Maintenance	4,137			4,137
621	Office Supplies and Expense	13,077			13,077
630	Outside Services	9,563			9,563
635	Water Testing	1,725			1,725
641	Rents	10,530			10,530
650	Transportation Expenses	4,695			4,695
657	Insurance - General Liability	4,612			4,612
659	Insurance - Health & Life/Worker's Comp.	1,339			1,339
666	Reg. Commission Expense	2,053			2,053
675	Miscellaneous Expense	1,200			1,200
403	Depreciation	27,160	A	666	27,826
408	Taxes Other Than Income	5,689			5,689
408.11	Property Taxes	4,083			4,083
670	Bad Debt Expense	-			-
409	Income Tax	-			-
	TOTAL OPERATING EXP.	\$ 165,637			\$ 166,303
	OPERATING INC.(LOSS)	\$ (19,543)			\$ (20,209)
OTHER INC./(EXPENSE)					
419	Interest and Dividend Income	\$ -			\$ -
421	Non-Utility Income	1,962			1,962
426	Miscellaneous Non-Utility Income	-			-
427	Interest Expense	(5,629)	B	(1,470)	(7,099)
	TOTAL OTHER INC.(EXP.)	\$ (3,668)			\$ (5,138)
	NET INCOME/(LOSS)	\$ (23,211)			\$ (25,347)

Adjustment A - Depreciation on \$30,000 tank rehabilitation costs. (\$30,000 times 2.2%).

Adjustment B - Projected annual interest expense on new WFA loan for tank rehabilitation. (\$30,000 times 4.9%).